

Rambhau Mhalgi Prabodhini

National Convention

on

Corporate Social Responsibility

Relationship building, beyond funding!

February 15-16, 2014

Bhander , Dist Thane

A REPORT

Rambhau Mhalgi Prabodhini (RMP), as South Asia's only training and research academy working for capacity building of voluntary organisations and elected representatives, has been regularly interacting with both, voluntary social worker as well as corporate. RMP also has been working on a project called Institution Building Support Scheme (IBSS), since 2006; aimed at institutional mentoring of NGOs. Several corporate executives regularly help us in this project. It is our firm belief that there are many areas in which corporate houses and NGOs can work together for mutual benefit. NGOs have to understand the expectations of corporate houses and improve upon monitoring, research and documentation. On the other hand companies must appreciate the potential of valuable experiential learnings that they can acquire via interactions with the voluntary sector.

It was on this backdrop, Rambhau Mhalgi Prabodhini (RMP) had organised a two-day "National Convention on Corporate Social Responsibility" on the theme "Relationship Building Beyond Funding" on 15-16 February, 2014 at RMP-KEC, Uttan, for Corporates, and National and International NGOs and Community as well as Govt. Leaders.

The two day conclave was attended by 211 participants from 173 voluntary institutions, 38 corporates that included 184 mens and 27 womens from 15 States.

Objectives :

While organising this convention, RMP had set the following objectives-

- Create a common platform for the Government, Corporates, NGOs, and Communities to plan for integrated development.
- Expand companies' CSR role to focus more towards participative mechanisms aimed at improving the national developmental indicators.
- Explore the idea of Mutual Mentorship between corporate houses and voluntary organizations, where the former mentors the later on technical, managerial aspects and the later helps the former in developing deeper insights into community issues, socio-economic and cultural aspects of sustainable development.
- Build capacity of implementing partners and individuals for collective, sustainable and economic development.
- Develop a platform for knowledge exchange and solution. Methodology

In order to ensure quality deliberations and participation from all over India and also striking a right balance between the voluntary and the corporate sector; RMP had constituted an Organising Committee for this convention. This Committee had following members –

Lalitha Kumarmangalam, Chennai - Chairperson	Mangalprabhat Lodha , Mumbai
Dr. Anant Pandhare, Aurangabad	Prabodh Thakkar , Mumbai
Anup Agarwalla , Ranchi	Rajesh Shah, Mumbai
Basant , Delhi	Sanjay Chaturvedi , Haridwar
Binod Bawri , Kolkata	Santosh Gupta , Delhi
Dr. Bharat Pathak , Chitrakoot	Shaina N.C. , Mumbai
Dr. Indumathi Rao , Bengluru	Dr. Vinay Sahasrabuddhe , Convener
Joy Bandekar , Delhi	Raveendra Sathe , Co convener
Dr. Malika Nadda , Shimla	

Apart from organizing team Shri. Neelesh Kulkarni, Pune and Dr. Medha Somaiyya , Mumbai were in the **functional** process of the convention.

Inaugural Session:

Welcoming the delegates and guests at the inaugural session, Dr Vinay Sahasrabuddhe, director general of Rambhau Mhalghi Prabodhini called upon the need for bringing in professional elements in the functioning of the non government organisations without diluting the existing ethical practices and motivational behaviour to achieve the stated social objective.

Drawing a parallel among the deteriorating functioning of non government organisations in sync with those in media and politics, Dr. Sahasrabuddhe, in lighter vein said that a spell check about the word NGO indicates EGO.

Stating that CSR is not restricted to fund raising, Dr. Sahasrabuddhe said that responsibility term in CSR does not stand for guarantee from the corporate.

While enumerating RMP's role as an institutional mentor, he indicated that CSR cannot be merely done by contribution by corporate but by active participation.

Affirming that this was an era and age of relationships, he recalled the conclave of voluntary organisations organised by RMP for the past 2-3 years by gathering resources from across the spectrum.

Congratulating Rambhau Mhalgi Prabodhini for its initiative on the subject of CSR, Goa's Chief Minister Manohar Parrikar, in his Inaugural Address spoke about the extreme ends of indians like the swinging pendulum. Either we destroy ecology or regulate environment, he said giving an instance in mining.

However, Parrikar was of the view that any government with an able bureaucracy is in a better position to achieve social objective than any corporate or multinational company.

Stating that monetary funding is not the criteria to initiate CSR, Parrikar urged India Inc to see beyond profit and consider it as a duty and explore to raise their kitty for social purpose as social costs also contribute to their earnings.

It is a one thing for a NGO to agitate and another thing to execute, he said with reference to the recent NGO turned political activism in the country. He also advised NGO activists to be sound and responsible by taking a few steps back before taking a leap to avoid hostile scene.

Calling activists to put their mind behind the organisation and not before the organisation, he softly reprimanded them by saying that CSR was not a PR exercise and also cautioned them to look into the ill-effects of their opinions.

Delivering her key-note address, Mrs Lalitha Kumarmangalam, ex corporate (Ashok Leyland), founder of the Chennai based ngo – Prakriti and also Chairperson of the Organising Committee of this convention said that the new law was a recent phenomenon and without the law in the past, companies like Wipro and Airtel have been doing this work quietly.

Making it clear that the law is not mandatory as it does not levy a penalty or punishment for not adhering but merely seeking an explanation in the form of reason for not spending the said amount, she said.

She called for responsible practices in CSR to ensure that it is sustainable. Companies who fund projects with social objective have every reason and right to know the outcome of the spending as they have to reply to their shareholders. Hence NGOs must develop monitoring, reporting techniques along with methodology and bridge or narrow down the trust deficit with the corporate. NGOs within the fraternity must also overcome the element of insecurity among them and reduce the rivalry in a race to increase market share, she said.

Reminding NGO activists about the two-way communication between them and corporate, Lalitha Kumarmangalam said large companies are willing to disburse funds subject to report and monitoring techniques and we need to raise our efforts to achieve that objective.

CSR: Legal Framework and Practical Interpretations

Explaining the broad contours of the CSR law, Mukund Chitale, renowned chartered accountant and former President of The Institute of Chartered Accounts of India asked NGO activists to keep their thinking hat in the form of ego outside the office, as it does not help the social cause.

“If I am using someone else resources, I must use them more resourcefully,” he said in an apparent reference for judicious usage of available resources donated for social purpose.

Commenting on operational and social risk from a perspective of an NGO, Chitale , said NGOs floated by an individual without a succession plan originates and ends with him compared to those broad base NGOs that are started based on thought process.

Companies flushed with funds and falling within the norms of CSR are well within their right to form their own Trust and do a better job unless they decide to outsource it to an NGO, he said.

Such NGOs must ensure that they must look at fulfilling their revenue expenditure from in-house means while capital expenditure can be mobilised by raising funds, Chitale said.

On the social risks, Chitale reminded NGOs to maintain their books of account in order and follow the law in letter and spirit. He suggested them to fight the law in a civilised way and not overcome the law by breaking it.

Chitale briefly touched upon the issue of reputation risks, where NGOs are operated more as individual fiefdom. However, he also asked them to think out of box within the given structure and set parameters.

Putting forth his views on the subject, Sanjay Hegde, President, Sewa-Sahayog (an NGO) and also a Chartered Accountant by profession and ex executive director of Global Capital

Markets Group at PricewaterhouseCoopers Pvt. Ltd., recalled that philanthropy and CSR was not a new concept to India or Indian companies as the Bhoodan movement of voluntary donating land to the landless initiated by Vinoba Bhave was driven neither by compulsion nor by law.

Even before the law was enacted under section 135 of the companies act, Hegde said that Indian companies were undertaking social responsibility for sustainability.

Explaining the broad features of the act, Hegde said that expenditure incurred on CSR project as per companies act does not fall in the normal course of business. The law seeks to specify projects and programs undertaken under CSR and the surplus amount generated out of such activity is not to be considered as business profit. It calls for transparent monitoring mechanism of the funds spent and they should not be incurred on family members and employees. In other words, the expenditure under CSR cannot be appropriated for its own purpose or business.

The law prescribes the reporting format in the annual report for CSR activity and direct the corporate falling within the norms to devise a CSR policy, clearly pointing its areas of interest. The weblink of CSR must indicate composition of CSR panel of directors, projects undertaken, amount spent and carried forward, implementation agency, reason for not spending, so on and so forth.

According to Hegde, the amount under CSR could be as low as Rs 8,000 crore to over Rs 20,000 crore on the higher side. The estimate does not include profitable closely held private companies not in the public domain.

Going beyond the statutory monetary fund flow under CSR, Hegde also pointed out that employee engagement of large corporations like Dell with 65% employees working as volunteers for larger social benefit going beyond the normal realms of conventional CSR activity.

Speaking about the hurdles in CSR, Hegde pointed out absence of clear linkage between CSR and financial success and lower voluntary adoption of CSR as well as lack of mechanisms to measure, monitor evaluate and report impacts.

Sharing two myths associated with CSR, Hegde said that smaller companies think it the responsibility of the bigger ones while the other myth is that is mainly a philanthropic exercise. Beyond these two myths, he also pointed out that there are no universally accepted frameworks in CSR and it also suffers from high 'overheads' of implementing and sustaining these efforts.

On the spending criteria under CSR, Hegde said it was for the board of a company to decide whether to allocate the mandatory CSR funds to a religious trust or philanthropic causes, without distinguishing between them.

Presiding over this session, Ashwin Shroff, Chairman and MD of Excel Industries Ltd., Mumbai, said that social responsibility of the society in ancient India went beyond the king and his kingdom, and was effectively looked after by the wealthy and wise people.

Stating that there was enough for everyone's need though not for everyone's greed, Shroff expressed concern that CSR law may have the potential to be misused by those not having honourable intentions.

However, with his vast experience of five decades in the corporate sector, Shroff believed that business objective and social objectives can be converged under CSR.

Session 3

Mutuality of Expectations of Corporate and Voluntary Organisations

Dr. Anant Pandhare who coordinated the session is a doctor by profession and presently Executive Trustee and Medical Director of Dr. Hedgewar Hospital, Aurangabad, Maharashtra.

Describing VOs behaviour like son-in-laws and funding corporate like father-in-laws, Dr Anant Pandhare, sought a matured partnership between the two towards a right alliance. They must understand problems of each other in mutual interest.

A good NGO must be internally sound with good external communication and adaptive approach with a better world view, Pandhare said.

Speaking on the CSR landscape in India, Parul Soni who is the Practice Leader of the Development Advisory Services and the Global Deputy Leader for Not-for-profit organizations at Ernst and Young said, liberalization in 1992 changed the backdrop as the Indian companies became responsible in a strategic sense. Earlier it was a charitable approach and more of philanthropy. But now companies here will have to ally with NGOs and be on equal footing as CSR is not considered as expenditure but now termed more as an investment with stakeholder engagement.

India has 3.2 million NGO, but only 150-200 of them may be prominent and visible. A large number of them are in healthcare and education. It normally takes 3-4 years to see an impact of CSR activity, based on the parameters of programs, objective and visibility, he said.

According to Soni, the top 300 Indian companies will have in its kitty – Rs 12,500 crore for disbursement under CSR. Drawing an ideal framework for an effective CSR activity, NGOs

will have to align themselves with the business objective of the corporate, ensure sustainability, comply with the provisions of the companies act, be result oriented and scale up the project, he said.

Soni pointed out four key factors that included risk mitigation, license to operate, reputation and moral obligation that could justify corporate to undertake CSR.

According to section 135 of the companies act, those companies with networth of Rs 500 crore or more or; turnover of Rs 1000 crore or more or; net profit of Rs 5 crore or more.

If a company fails to spend CSR amount, the Board shall in its report specify the reasons for not spending the amount.

Under schedule VII, CSR activities are permissible in the areas including eradicating extreme hunger and poverty, promotion of education and gender equality, women's empowerment, reducing child mortality, improving maternal health, combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases, environment sustainability, enhancing vocational skills among others.

Speaking out his mind, Ashish Gautam President of Divya Prem Sewa Mission, Haridwar said historically, unsustainable relationships resulted in revolution, due to conflict across various classes of society. He strongly advocated that corporate needed the assistance of NGOs rather than vice-versa. While character and ethics are applicable to NGOs, are they not applicable to corporate. Why are they let off, he questioned.

Are corporate not responsible for depleting natural resources and making an effort to make up good for the social cause. Citing a case of electronic waste from the rising usage of mobile phones, Gautam said, Mobile phone manufacturers must reach out to NGOs for their disposal rather than NGOs reaching out to them. Similar is the case with other pollutant generating industries, he said.

Hence, the corporate officials must be sensitised with work undertaken by NGOs.

Subash Ray, Head of CSR dept of Tata Sponge said that there was a deep gap between NGO undertaking CSR work and corporate.

Ray also observed that barring few, most of the CSR approach by many corporates are not found to be need based, without consultations with the beneficiaries, driven more by whims and wishes of few individuals of the company and above all without being people centric.

He also lamented on the fact that there was no synergy with government schemes, programs and more often than not the design in CSR activities were short-sighted without any periphery focus.

Hence the scope for NGOs seeking to undertake CSR work on behalf of corporate would be to identify people's need and implement programs which will be sustainable in nature and bring visibility to the company. NGOs through such activities should be able to minimize community tension, reduce their dependency on the company by developing employability and alternate source of income and linking them with govt. schemes and district administration, Roy said.

Bharat Pathak Secretary of Deendayal Research Institute (DRI) who is also the in-charge of its projects at Chitrakoot added the word moral responsibility to the term social responsibility within CSR. Companies are not wrong in mentioning their expectations and the outcome on the fund deployed on their behalf, he said.

G. Vasudeo, senior social worker, thinker and Secretary of Natural Resources Development Project (NARDEP) of Vivekananda Kendra at Kanniyakumari said CSR is not only charity but also about participating in people's problem. Terming CSR as a multi-dimensional approach, he called for replenishment of resources taken from nature. With 2% responsibility, you cannot be 98% irresponsible. Corporate should talk about harmony of the society via CSR and if their produce is something that is disrupting in nature then CSR is just a whitewash, he said.

Sharing an instance, Vasudeo said that Swami Vivekanand made Tata realize the need to give back to the society in a concrete everlasting way, which resulted in the Indian Institute of Science at Bangalore.

Drawing a phrase from Bhagwad Gita and relating Yajña to CSR, Vasudeo said, A good Yajña should have adherence to the rules (Vidhi), creation of wealth (Annam), creation of joyous atmosphere (Mantra), judicial distribution of wealth (Dakshina) and sincerity of purpose (Shraddha).

Going beyond the fund raising, Vasudeo said, the act of sharing should be done in a way it empowers both the giver and the receiver. It should not diminish the giver and the receiver and ultimately should be an act of cleansing the mind, he said.

Idea of Relationship Building

Corporates ally with NGOs for their own interest. In the past, without being mandatory, they undertook CSR to have a public face after fulfilling their primary objective of making profit, said Santosh Gupta, a former senior Govt. Official and an expert in disaster management.

The new company bill, initiated since 2008, was also equally pursued by corporate to create their own space in public life via CSR. However, NGOs need to come up with a fresh mind set to understand corporate responsibility as also their own responsibility.

NGO must also look at liaising with the government and consider it as its partner in CSR in equal proportion as much as the corporate. Gupta cited several cases like Banasthali University, the largest university for women education near Jaipur supported by top corporate as also other CSR initiatives of GSK and Titan.

Corporates benefit by enhancing image, credibility and visibility in the market via CSR. They will not need brand ambassadors or socialites in their advertising campaign, if they have actual social work to prove, Gupta said.

He also pointed out the rising economic disparity with the fastest growing economy on one side and ranked 119th in human development index among the 169 nations.

Gupta also pointed out that foreign funding to NGO has reduced as they are no more allowed to route funds through foreign NGOs.

Speaking about the various pattern of relationship, Gupta elaborated on Philanthropic relationships, Transactional relationships and Integrative relationships to be developed by NGOs to achieve their stated objectives.

Under philanthropic relationships, the nature of association between the corporation and nonprofit organization is largely that of charitable donor and recipient. Such relationships are the most common but are increasingly reducing as they are migrating to the next stage. Through this relationship, the nonprofit organization increases its funding ability and the company enhances its reputation as a community supporter.

Under transactional relationship, companies engage NGOs through specific activities such as cause related to marketing and event sponsorships. For companies, the relationship is directly related to business operations and the partnership is more contractual. The interaction between the company and the nonprofit voluntary organization (NGO) is usually limited to the marketing division.

Under integrative relationships, the companies and NGOs take the form like a joint venture that is integral to both the organizations' strategies. Partner's mutual commitment is critical to the success of the venture. Joint activities broaden and personnel interactions intensify, and usually one of the corporate partner's top executives is part of the nonprofit partner's board of directors and is involved in the governance. Procedures are instituted to manage the growing complexity of the engagement. Relatively few partnerships have advanced to this stage.

Some relationships directly begin at the transactional or integrative stages but most evolve from the philanthropic stage with an increasing understanding of the partner's culture and processes. Many partnerships are hybrids that include philanthropic components along with other projects.

Quoting William Glay Ford, Iytha Mallikarjuna pointed out the difference between a good company and great company. A good company offers excellent products and services. A great company also offers excellent product and services, which NGOs should also follow, he said. Mallikarjuna is ex executive director of Fair Trade Forum – India (FTF – I) and co founder of Believe India Fair Trade.

CSR is nothing but a commitment to improve well being. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and the relations with stakeholders, Mallikarjuna said.

NGOs must be sustainable and socially responsible, while protecting sustaining and enhancing human livelihood and natural resources that will be needed in the future.

Quoting from World Business Council on Sustainable Development, Mallikarjuna said that NGOs along with corporate must meet the demand of present generation without compromising the need of the future generation. While ensuring sustainability as a key factor, NGOs and corporate must also ensure ethical means.

He also mellowed down NGOs expectation for government funding by stating that govt will no more fund through NGO as they intend to give benefit directly to the beneficiary through direct fund transfer.

NGOs must also target the right companies in sync with their policy and target audience. For instance, NGOs with education proposal going to pharma companies, who are more interested to fund health projects. Similar mismatch can be avoided when NGOs can pick up the right issues. For instance, someone is dying of malaria and NGOs are working in the area of AIDS because funding is in that area.

Mallikarjuna also briefly touched up on the subject of fair trade as part of ethical trade and the role NGOs can play in this segment.

He also cautioned NGO activist against going for fund raising in individual capacity but make it a collective efforts or an institutional effort of the NGO.

Corporates must realise that unless the society improves, the business for the corporate will not improve. On the other hand, NGOs must also change their mindset as an activist without compromising on principles and values.

A question raised from the audience spoke about the role of rag-pickers as a stakeholder in the increasing solid waste management issues generated by plastic packaging issues and the need to focus on Recyclable packaging or bio-degradable packaging via NGO initiative.

In his concluding remarks, Binod Bawri, well-known industrialist from Kolkata who is also associated with several tribal welfare activities who chaired this session, said that NGOs need to communicate with trust with all agencies including corporate. Eventually, if society grows, everyone benefits including the corporate and thereby change the country's landscape.

Way ahead

Taking a whirlwind view of the two-day deliberations on CSR, Vinay Sahasrabudde believed that there was a need of hand holding among the NGO fraternity to achieve the stated objective. Terming that the thought process of NGOs were on the right track, he reminded the audience to stay committed to the common issues that were dwelt at the conclave. The organising panel of the two-day conclave have conceived a forum or platform by the name Nation First, for which Mrs Kumarmangalam will be the convenor with Santosh Gupta, Subhash Ray and Atul Kulkarni on board. Among the first few initiatives of this forum would be to set up a web portal by April and review the proceedings by calling back all voluntary organisations sometime in June, he said. Subsequent to the implementation of CSR norms from April 2014, it is proposed to organise a training program of CSR officials.

He also call upon NGOs to be proactive in organising interactive discussions and set agenda for future as also invited research papers and approach papers on the subject of CSR.

Speaking on the way forward, Basantji, Gandhian social worker from Bihar said that two things that have primarily evolved from this two day deliberation is the significance of capacity building and networking among NGOs. On their part, NGO must now empower themselves so much that corporate can prefer to shake hands with them over other power centres like politicians or bureaucrats.

Terming CSR as an activity being not confined to any particular ideology or political party, Basantji said that motivation level and our goals must not be left behind in dilemma of this market driven economic regime. He also called upon a need for NGO ministry on the same lines like corporate affairs ministry. If industrialist can have a single window, why not for NGOs, Basantji questioned.

Valedictory remarks

Delivering his view at the valedictory session, renowned Gandhian thinker, a longtime associate of the Sarvodaya movement and executive chancellor of Wardha-based Mahatma Gandhi International Hindi University, Dr Manoj Kumar said capitalism has gone global and has sowed seeds of imperialism and has enhanced and empowered itself at the cost of small and micro enterprises. This has led to consumerism that has increasingly threatened the existence of basic natural resources like food, water and environment at market-linked prices.

Moreover, large multinationals with global presence have opted to change the discourse of social issues by funding research on issues of vested interest and not necessarily those in public interest at large, Dr Manoj Kumar said.

Stating that Indian culture and character has the necessary instinct in itself and hence we need not borrow words from English literature for CSR, Dr Manoj Kumar said that it is imperative for corporate to go beyond the mandatory legal norm of 2% and also hold itself morally responsible towards the society as part of principles of equity.

However, he cautioned everyone that we must not get carried away with the discourse levied on us by corporate. We need to overrule them with our ability to change their thought process, he said.

NGOs must also not allowed themselves to be governed by issues dictated by corporate under CSR, but they must explore issues in the society. Else funds for AIDS will determine NGOs to work in that segment while there could be several other dreaded health issues in the society that may go unaddressed, he said.

He also expressed concern over the deteriorating relationship between people, institutions as also countries and called up NGOs to rise above petty issues in the larger interest of social goal, objective and concerns.
